

FISCAL IMPACT STATEMENT ON BILL NO. **H.3575**

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TO:	The Honorable Daniel T. "Dan" Cooper, Chairperson, House Ways and Means Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Harry Bell, Allan Kincaid & Beth Campbell		
DATE:	March 19, 2007	SBD:	2007193

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AUTHOR:	Representative Young	PRIMARY CODE CITE:	1-3-240
SUBJECT:	Department of Transportation - Restructuring		

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ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:  
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:  
A Cost of Federal and/or Other Funds (See Below)

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**BILL SUMMARY:**

House Bill 3575 would provide that the Governor shall appoint the executive director of the Department of Transportation. The Department would be governed by a seven member board elected, by the General Assembly, from the seven highway engineering districts.

**EXPLANATION OF IMPACT:**

Senate and House of Representatives

The Legislature indicates there will be an additional cost to the General Fund for the proposed Bill. The Transportation Review Committee will consist of 10 members, with 6 legislators and 4 non-legislators. The cost per legislator per one-day meeting is \$235 per person, and the cost per non-legislator per one-day meeting is \$190. The total cost will be \$2,170 per one-day meeting. All other costs and expenses must also be paid from the General Fund of the State.

Department of Transportation

The Department anticipates that the increased responsibilities for the commission will result in the need for additional monthly meetings. This factor in conjunction with the \$1,000 per month for commissioners' district expenses (57-1-350 (C)) is estimated to increase expenses by \$42,000 annually.

The Department anticipates the cost of salary and fringe for an ethics compliance officer (as required by section 57-3-20 (4) (a)) at \$75,350. Mandatory training for all 4,900 DOT employees is estimated to cost \$336,000 the first year of implementation to include travel, course development, and instruction delivered at the district offices. Training costs should be less in subsequent years. Cost for the annual financial report as required by section 57-3-20 (5) is estimated at \$60,000. Total additional cost to the Department to be covered with fuel tax revenue (other funds) is estimated at \$513,350 the first year.

State Budget and Control Board

Section 6 of the Bill revises the Department of Transportation's exemption from the Procurement Code to exempt only those projects receiving federal funding. However, Section 7 of the Bill requires the Board to verify that exemptions contained in Section 6 for the Department are valid. The cost of conducting the procurement audits will depend on the number and nature of projects subject to the exemption which is not readily available at this time.

#### State Auditor's Office

Section 17 of the Bill requires the State Auditor to conduct a performance and compliance audit of certain divisions of the Department of Transportation. A review of this section by the State Auditor's Office indicates the cost to conduct a performance and compliance audit would be between \$600,000 and \$825,000. The Bill does not specify the frequency at which any additional audits must be conducted. However, any additional performance and compliance audits could cost between \$600,000 and \$825,000 each. Cost of these audits would be paid out of state highway funds.

#### Recapitulation

The impact on the General Fund of the State depends on the number of meetings of the Transportation Review Committee and the number and nature of DOT construction, maintenance and repair projects subject to federal laws and regulations. DOT expenses paid with fuel tax revenue (other funds), including the cost of the performance and compliance audit, are estimated at between \$1,113,350 and \$1,338,250 the first year of implementation.

#### **LOCAL GOVERNMENT IMPACT:**

None.

#### **SPECIAL NOTES:**

Section 5 of the Bill would have an impact on the General Fund of the State. The Board of Economic Advisors is the appropriate entity to address the revenue impact associated with this or any other Bill.

Approved by:

A handwritten signature in cursive script that reads "Harry Bell".

Harry Bell  
Assistant Director, Office of State Budget